

Assigned to HEALTH & FIN
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ARIZONA STATE SENATE
Phoenix, Arizona

FINAL REVISED
FACT SHEET FOR H.B. 2530/S.B. 1359

special health care districts

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Purpose

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Modifies the special health care districts statutes to allow Maricopa County to create a district to operate the county health system.

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Background

The Maricopa Integrated Health System (MIHS), consisting of the Maricopa Medical Center, Desert Vista, 11 health centers, home health care, mental health facilities, the specialty health center, the graduate teaching program and other parts, is a public teaching hospital and health care system providing health care services principally to the poor. In January 2003, the Maricopa County Board of Supervisors established the Citizens' Task Force on the County Health System to review and make recommendations regarding the current and future operation of MIHS. The Task Force concluded that MIHS is facing a financial crisis due to the uncompensated care incurred, pressures on county expenditure limits, loss of income from the shift to competitive bidding for long-term care contracts, loss of federal and state disproportionate share hospital (DSH) program funds and lack of capital improvement funding.

The Task Force considered a number of options to address the fiscal needs of MIHS and recommends creating a special health care district (SHCD) for a number of reasons: (1) its creation and funding sources would be subject to voters' approval; (2) all relevant MIHS assets and liabilities would be transferred to the SHCD; and (3) the SHCD would be able to adopt its own human resource policies, procurement policies and merit system.

This legislation modifies the SHCD statutes to allow Maricopa County to create a voter-approved district to operate the integrated health care system. The legislation also requires a public vote on two funding sources for the district, secondary property taxes and the issuance of bonds.

If MIHS were to close, the state would lose the opportunity to draw down approximately \$92 million in federal funds for DSH payments, and thus would result in an approximate net loss to the state general fund of \$60 million in FY 2003-2004.

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Provisions***Establishment of an SHCD – Maricopa County***

1. Allows the county board of supervisors to submit to a vote of the county's qualified electors the question of forming an SHCD, only if the county has a population of at least two million persons.
2. Allows the board of supervisors to submit as a single issue the question of creating a district with the authority to bond and levy a secondary property tax.
3. Allows the board of supervisors to include at the election to create an SHCD or at any other election called for that purpose the question of issuing bonds.
4. Mandates that an SHCD must have the same geographic boundaries as the county and that the county's qualified electors must be deemed qualified for any type of election.
5. Requires the board of supervisors to establish the SHCD and serve as the SHCD's interim board of directors until directors are elected at the next general election, if the majority of qualified electors approve the creation of the SHCD.
6. Stipulates that the order of the board of supervisors to create the SHCD is final and the SHCD is established upon the issuance of that order.
7. Stipulates that an SHCD is a tax levying public improvement district and has all the constitutional and statutory powers, privileges and immunities generally associated with such entities.

Additional Powers of an SHCD – Maricopa County**Board of Directors**

8. Requires the board of directors of an SHCD to be elected, consisting of five members, one from each supervisorial district, and not be elected or appointed state or county officials (except precinct committeemen or nonsupervisorial members of the hospital board) nor employees of the district or a director, officer or employee of another health care institution.

Requirements and Limitations

9. Requires the SHCD to operate a general hospital for the period of taxing authority (20 years).
10. Requires the SHCD, for ten years and within a three-mile radius of the current location of the existing county general hospital to:
 - a) Operate a general hospital and burn center and provide emergency and trauma services at levels provided as of January 1, 2003.
 - b) Maintain maternity services at levels required for DSH public hospitals.
11. Allows the SHCD to provide services and operate any of the permitted facilities following the ten year period.
12. Stipulates that nothing in this legislation entitles any person or third party to services or reimbursement for services.

13. States the primary, but not sole, mission of the district is to provide medical education programs, emergency and other services, services to the medically underserved, and facilities and equipment necessary for these services, to the extent of available taxes.
14. Prohibits the SHCD for ten years from:
 - a) Constructing a new general hospital outside the three-mile radius of the existing county general hospital. Thereafter, it may do so outside the radius with voter approval.
 - b) Acquiring or leasing a general hospital outside the three-mile radius without voter approval.
 - c) Constructing, acquiring or leasing any specialty hospitals, other than a psychiatric hospital or behavioral health facility, outside the three-mile radius.
 - d) Operating outpatient surgical centers at locations other than the general hospital campus of the SHCD and at two other locations operated by the county as health care institutions as of January 1, 2003.
15. Prohibits the SHCD from:
 - a) Operating an ambulance service.
 - b) Operating a general hospital simultaneously with the county.
 - c) Leasing any general hospital that it operates to any entity other than a political subdivision of this state until two years after the receipt of any DSH payments.
16. Requires the board of supervisors by majority vote to convey, sell, lease or otherwise transfer title to any assets and liabilities of a health care system to the SHCD.

Powers

17. Allows the SHCD to:
 - a) Raise capital, borrow and invest monies, create debt, assume debt and refinance debt.
 - b) Issue tax anticipation notes, revenue anticipation notes and revenue bonds.
18. Requires the SHCD to adopt administrative rules, including an employee merit system and a procurement system tailored to the SHCD's needs.
19. Allows the SHCD to employ or contract individuals or entities, including the county attorney, to provide services within its purpose.
20. Allows the SHCD to establish or acquire foundations or charitable organizations to solicit donations, financial contributions, property or services for use within its purpose.
21. Requires the SHCD to comply with public record laws with certain exceptions.
22. Entitles the SHCD to a lien for charges relating to medical care services and treatment provided.

Tax Levy

23. Expands the annual financial reporting requirement by the SHCD board of directors due to the board of supervisors by July 15 to include information about:
 - a) Principal and interest on any issued and outstanding bonds.
 - b) Intergovernmental transfers in connection with DSH payments.

- 24. Excludes taxes levied to pay for bond issuances when determining the secondary property tax that should be levied to meet the financial needs of the SHCD.
- 25. Increases the renewal period for a tax levy that is approved by the voters from 5 to 20 years.
- 26. Caps the tax levy at \$40 million for the first year in which the tax is authorized and annually adjusts this cap thereafter using the statutory formula for a levying a primary property tax.
- 27. Allows an SHCD to levy a secondary property tax for both capital and maintenance and operations expenses and payments for professional and other types of services to the SHCD.
- 28. Reduces the county's expenditure limit by the amount (with formulaic adjustments) that corresponds with the transferred operations to the SHCD.

Conditions for Closure

- 29. Prohibits the county from closing an existing general hospital until a vote is conducted on the question of the creation of an SHCD.
- 30. Allows the county, if the voters fail to authorize the creation of the SHCD, to close its existing county hospital on 12 months notice to the Arizona Health Care Cost Containment System (AHCCCS).

DSH Payments

- 31. Requires the appropriate county treasurer to withdraw from SHCD's monies deposited with the county treasurer and transfer such monies to the county general fund, if the hospital receives DSH payments.
- 32. Requires the Joint Legislative Budget Committee to determine the amount of such transferred monies based on the annual legislative appropriation for DSH payments.
- 33. Provides withholding authority for the county and state treasurers related to the distribution of DSH payments.

Purchases of Services

- 34. Requires the county to purchase services from the SHCD worth at least \$5 million per year for the period of taxing authority.

General and Conforming Provisions

Delegation of Authority

- 35. Allows, in the case of a county with an SHCD, the board of directors of the SHCD instead of the county board of supervisors to appoint by majority vote a hospital board to maintain the hospital.

DSH Payments

- 36. Authorizes AHCCCS to make DSH payments to hospitals owned or leased by an SHCD.

AHCCCS Claims and Liens

- 37. Subjects SHCD providers to all claims processing and payment requirements and limitations that are applicable to noncounty providers.
- 38. Adds SHCDs to the list of liens with respect to priority.
- 39. Allows an SHCD and AHCCCS to divide the value of an estate recovered through a lien if both have valid claims for paid assistance against the same member.

Long-Term Care Fund

- 40. Authorizes SHCDs to establish and maintain a long-term care system fund and makes necessary conforming changes.

Compensation of Directors

- 41. Authorizes the board of directors of an SHCD to receive per diem for attending meetings of up to \$200 per day.

Reimbursement for County Services

- 42. Allows the county to receive reimbursement from an SHCD for costs related to the formation of the district.

Miscellaneous

- 43. Defines, updates and modifies terms.

44. Makes technical, clarifying and conforming changes.

45. Provides for a general effective date.

Amendments Adopted by Health Committee

1. Clarifies the definition of “medically underserved” as it applies to the requirements set forth in the district’s mission.
2. Makes the mission more specific by including services now required by the statute as well as facilities and equipment necessary to provide those services.
3. Makes technical changes.

Amendments Adopted by Finance Committee

1. Reduces the county’s expenditure limit by the amount (with formulaic adjustments) that corresponds with the transferred operations to the SHCD.
2. Makes technical changes.

Senate Action

HEA	5/15/03	DPA	8-0-1-0
FIN	6/11/03	DPA	8-1-0-0
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3 rd Read	6/18/03		23-4-3-0
(H.B. 2530 substituted for S.B. 1359 on 3 rd Read)			

House Action

HEA	5/8/03	DPA	9-1-0-2
3 rd Read	5/16/03		44-13-3-

Signed by the Governor 6/26/03
Chapter 268

Prepared by Senate Staff
July 3, 2003